

## Press Release

February 22, 2018

**G. M. Exports (GME)**

**Rating Upgraded**



<b>Total Bank Facilities Rated*</b>	Rs. 26.50 Cr.
<b>Long Term Rating</b>	SMERA BB+/Outlook: Stable (Upgraded from SMERA BB/Stable)
<b>Short Term Rating</b>	SMERA A4+ (Reaffirmed)

\* Refer Annexure for Details

### Rating Rationale

SMERA has upgraded the long term rating of '**SMERA BB+**' (read as **SMERA double B plus**) from '**SMERA BB**' (read as **SMERA double B**) and reaffirmed the short term rating of '**SMERA A4+**' (read as **SMERA A four plus**) on Rs.26.50 crore bank facilities of G. M. Exports (GME). The outlook is '**Stable**'

GME was established in 1995 as a partnership firm by partners, Mr. Rajesh Makwana and Mr. Chirag Makwana is a Del Credere Agent (DCA) and a consignment stockist (CS) of Gas Authority of India Limited (GAIL) for distribution of polymer products, such as linear low-density poly ethylene (LLDPE) and high-density polypropylene (HDPE) for Gujarat region.

### List of Key Rating Drivers and their detailed description

#### Strengths

##### Long track record of operations in and has established association with GAIL

The firm has a long track record of operations of around 22 years. It started its association with GAIL India Limited since 2002 and engaged as consignment stockist and Del Credere Agent for sale of polymer products.

##### Favourable demand outlook for polymers

The demand for polymers is expected to grow well with healthy growth in industries such as automobiles, polymer-based reinforcing material in construction as well as plastics, paints and coatings for the automotive sector. These factors will positively impact the company's revenue in the present and in future years.

##### Improvement in profit margins

GME recorded improvement in profit after tax (PAT) margins from 1.41% in FY16 to 3.47% in FY17. Also the EBITDA margins improved from 7.88% in FY16 to 13.88% in FY17.

## Weaknesses:

### High counterparty credit risk

The firm being a DCA/CS for GAIL is exposed to high counterparty credit risk as the same (receivables) is transferred from GAIL to GME. This results in high working capital requirements, which ultimately influences the net profit margin which stands at 3.47 per cent in FY2017 and financial risk profile of the firm.

### Capital withdrawal risk

GME, being a partnership firm is exposed to capital withdrawal risk.

## Analytical Approach

SMERA has considered the standalone financial and business risk profiles of the company to arrive at the ratings.

## Outlook: Stable

SMERA believes that the outlook of GME will remain stable over the medium term on account of its established track record in the polymer and chemical distributor industry. The outlook may be revised to 'Positive' if the firm is able to increase scale of operations and profitability while maintaining efficient working capital. Conversely, the outlook may be revised to 'Negative' in case of decline in profitability, deterioration of capital structure or extended working capital requirements.

## About the Rated Entity - Key Financials

Particulars	Unit	FY17	FY16	FY15
Operating Income	Rs. Cr.	14.17	20.10	12.92
EBITDA	Rs. Cr.	1.97	1.58	2.21
PAT	Rs. Cr.	0.49	0.28	0.34
EBITDA Margin	(%)	13.88	7.88	17.11
PAT Margin	(%)	3.47	1.41	2.67
ROCE (%)	(%)	10.15	8.54	10.53
Total Debt/Tangible Net Worth	Times	3.21	2.06	3.08
PBDIT/Interest	Times	1.34	1.34	1.29
Total Debt/PBDIT	Times	8.56	6.57	7.26
Gross Current Assets (Days)	Days	662	316	557

### Status of non-cooperation with previous CRA (if applicable)

ICRA has moved the ratings for the Rs. 30.50 crore bank facilities of GM Exports (GME) to the 'Issuer Not Cooperating' category in its Press Release dated 06 September 2017.

### Any other information

None

### Applicable Criteria

- Trading Entities - <https://www.smera.in/criteria-trading.htm>
- Financial Ratios And Adjustments - <https://www.smera.in/criteria-fin-ratios.htm>
- Default Recognition - <https://www.smera.in/criteria-default.htm>

### Note on complexity levels of the rated instrument:

<https://www.smera.in/criteria-complexity-levels.htm>

### Rating History (Upto last three years)

Name of Instrument /Facilities	2017		
	Scale	Amount (Rs. Crore)	Rating with Outlook
Cash Credit	Long Term	2.00	SMERA BB /Stable (Assigned)
Cash Credit under e-DFS	Long Term	18.00	SMERA BB /Stable (Assigned)
Bank Guarantee	Short Term	5.00	SMERA A4+ (Assigned)
Letter of Credit	Short Term	1.50	SMERA A4+ (Assigned)

### Annexure - Details of instruments rated

Name of the Facilities	Date of Issuance	Coupon Rate	Maturity Date	Size of the Issue (Rs. Crore)	Ratings/Outlook
Cash Credit	Not Applicable	Not Applicable	Not Available	2.00	SMERA BB+/ Stable (Upgraded)
Cash Credit under e-DFS scheme	Not Applicable	Not Applicable	Not Available	18.00	SMERA BB+/ Stable (Upgraded)
Bank Guarantee	Not Applicable	Not Applicable	Not Available	5.00	SMERA A4+ (Reaffirmed)
Letter of Credit	Not Applicable	Not Applicable	Not Available	1.50	SMERA A4+ (Reaffirmed)

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## ABOUT SMERA

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